

Road Maintenance Funding

Public Workshops

November 4 to November 22, 2013

Overview

- Issue
- Goal
- Process
- Background
- Current Funding
- Future Funding Options
- Next Steps

Issue

- Douglas County paved roads have a pavement condition index of 58 (fair).
- We need to identify approximately \$4 million per year in additional funding just to maintain county roads at their current level.
- If additional funding is not allocated, county paved roads will fall to serious condition and costs will increase five times.

Goal

- Work with residents and businesses to identify the most viable and appropriate sources of funding, and gain public support for implementation.

Process

- The County Manager created a Road Funding Task Force comprised of residents and business leaders with different backgrounds and perspectives from throughout the community.
- The Task Force has met five times since July.
- Six public workshops are planned in November to seek additional input from residents.
- The County Manager intends to make recommendations to the Board of Commissioners in early 2014.

Background

What's Happened in Past 10 Years?

□ 2003 State of the County:

- Assessed values growing
- Population growing
- Revenues growing
- Business base growing
- Unemployment at 4.9%
- Personnel costs up 10.5%
- Public services growing
- “Investment in county’s infrastructure is needed. Street maintenance is lacking.”

- The State of Douglas County was stable, with a positive outlook

□ 2013:

- Assessed values have declined
- Population has declined
- Revenues flat
- Business base has diversified
- Unemployment at 11.2% (Feb 2013)
- Personnel costs down
- Leaner, more cost-effective public services

- While challenges remain, the State of Douglas County is **stronger today** than it has been in over five years

- Reason to be optimistic if we continue to focus on solutions to our challenges

Why Are Roads A Priority?

- Strategic Plan Priority - Infrastructure
 - Goal: “Douglas County will provide for the maintenance and infrastructure necessary to meet current and future service levels”
- Priority Based Budgeting
 - Community Oriented Results
 - Reliable Well-maintained Infrastructure
- 1st Annual Financial State of the County
 - Need to invest in infrastructure maintenance
- Growing Number of Citizen Complaints

Roads – Douglas County’s largest classification of fixed assets @ approximately \$165M.

2013 Financial State of the County



“The Pothole Cliff”

- County maintains 230 miles
- Pavement Condition Index (PCI) = 58 “poor” (was 62 in 2010/11)
- County spends 5-10% of the amount Minden and Gardnerville spend
- Board began shifting existing property taxes to roads in 2013

Visual Example of PCI Scale



PCI = 98, Jacks Valley Road

Visual Example of PCI Scale



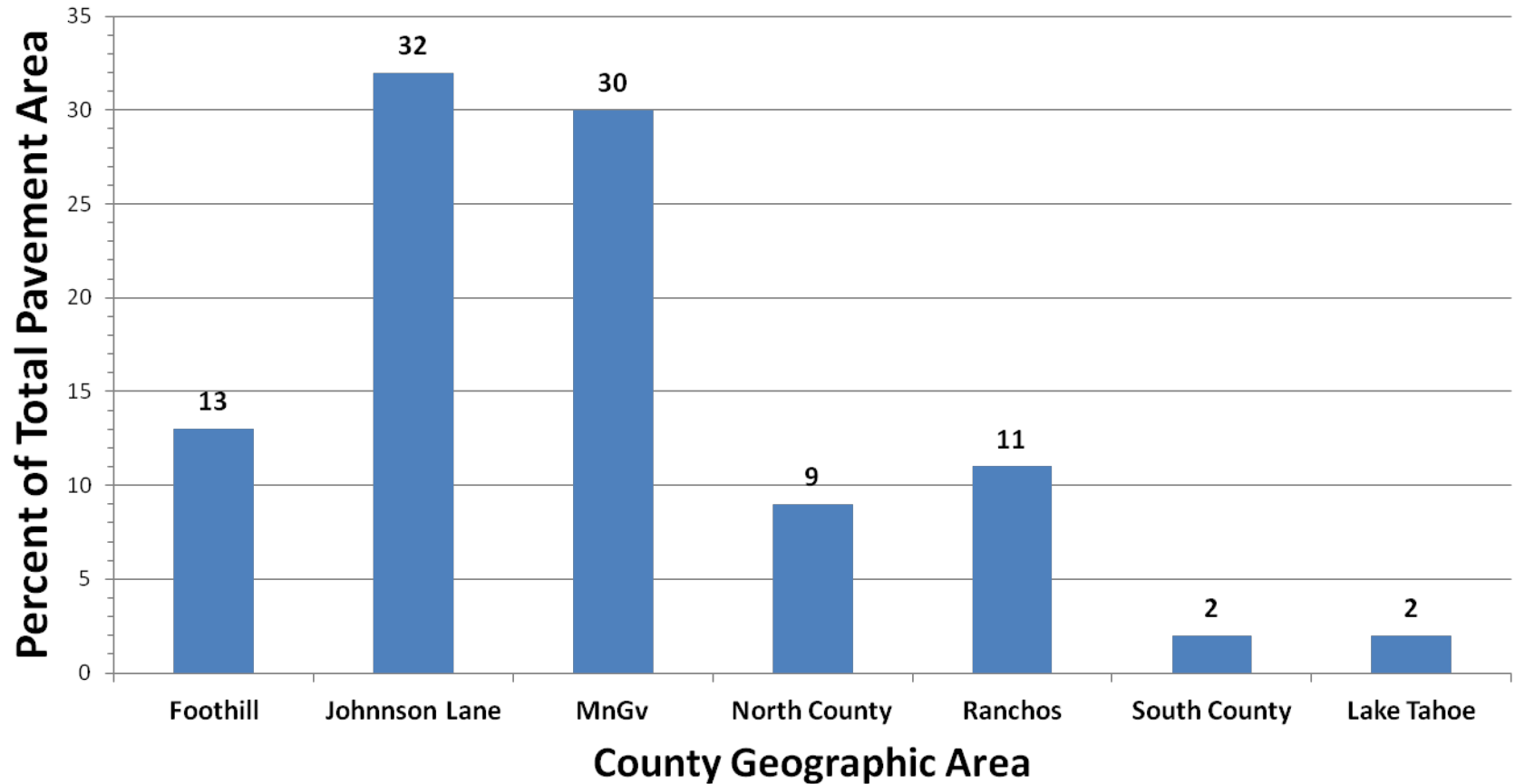
PCI = 60, Hermosa Court

Visual Example of PCI Scale

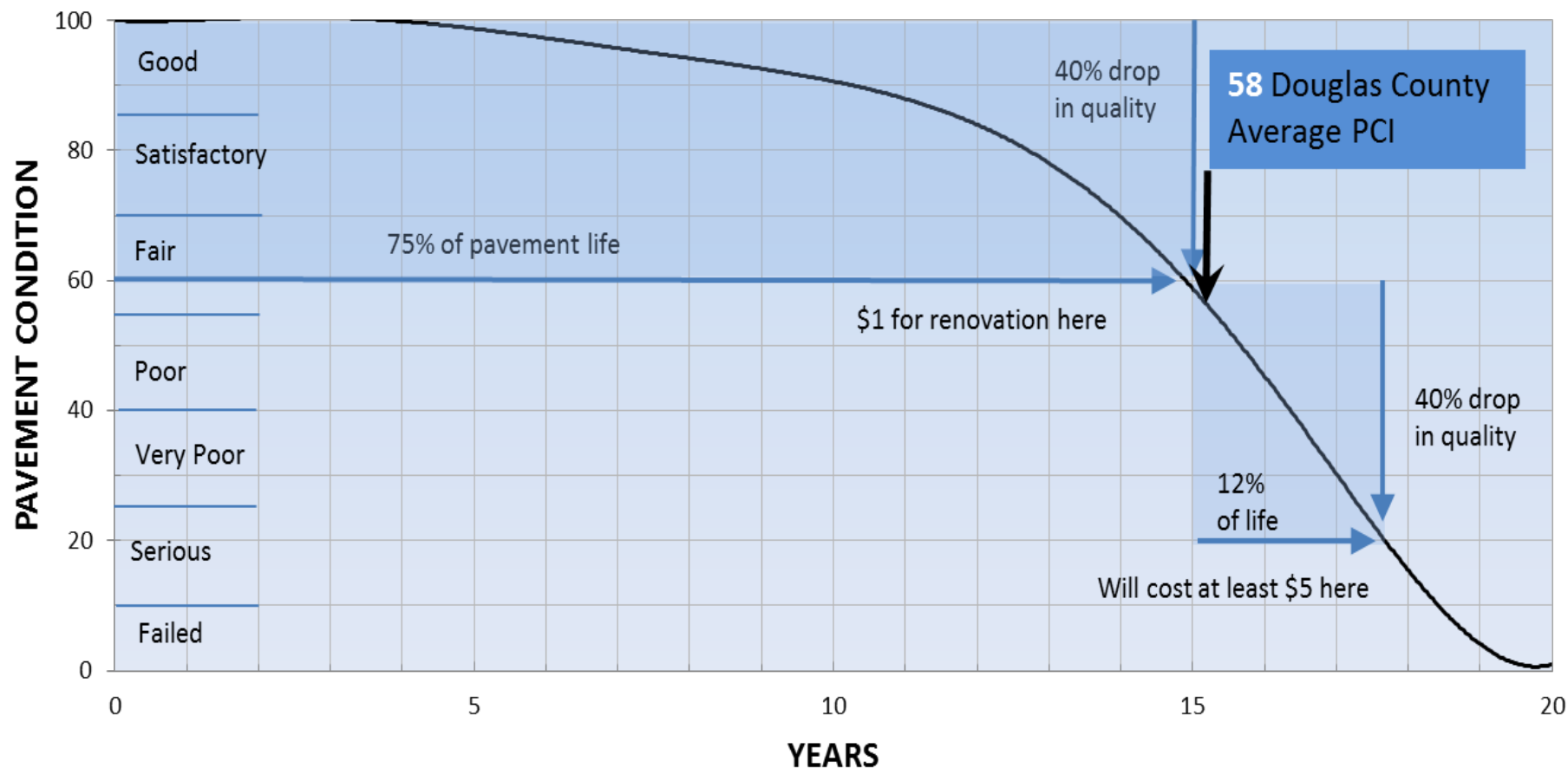


PCI = 9, Waterloo Lane

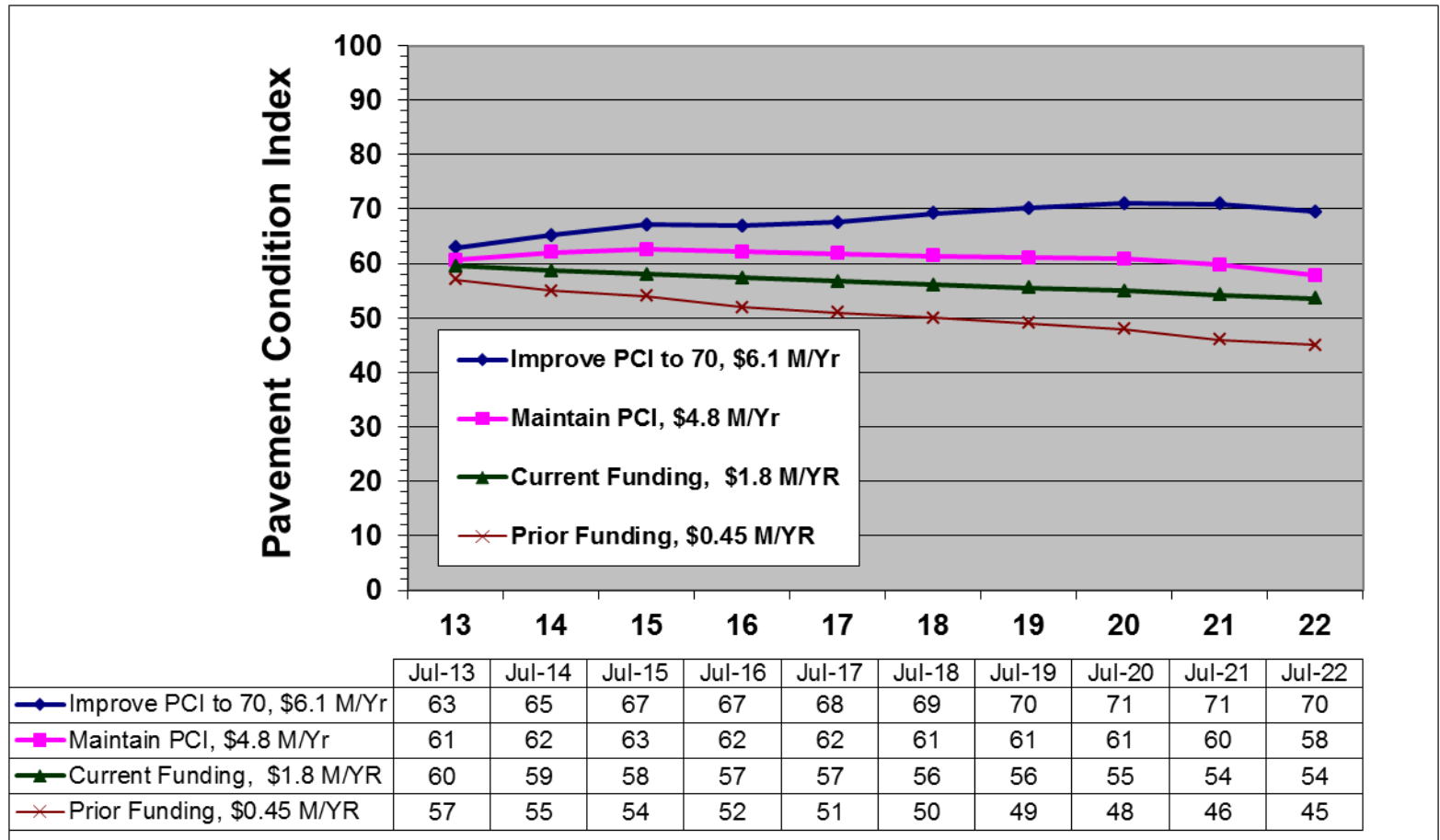
Distribution of Pavement Area



Pavement Life Cycle



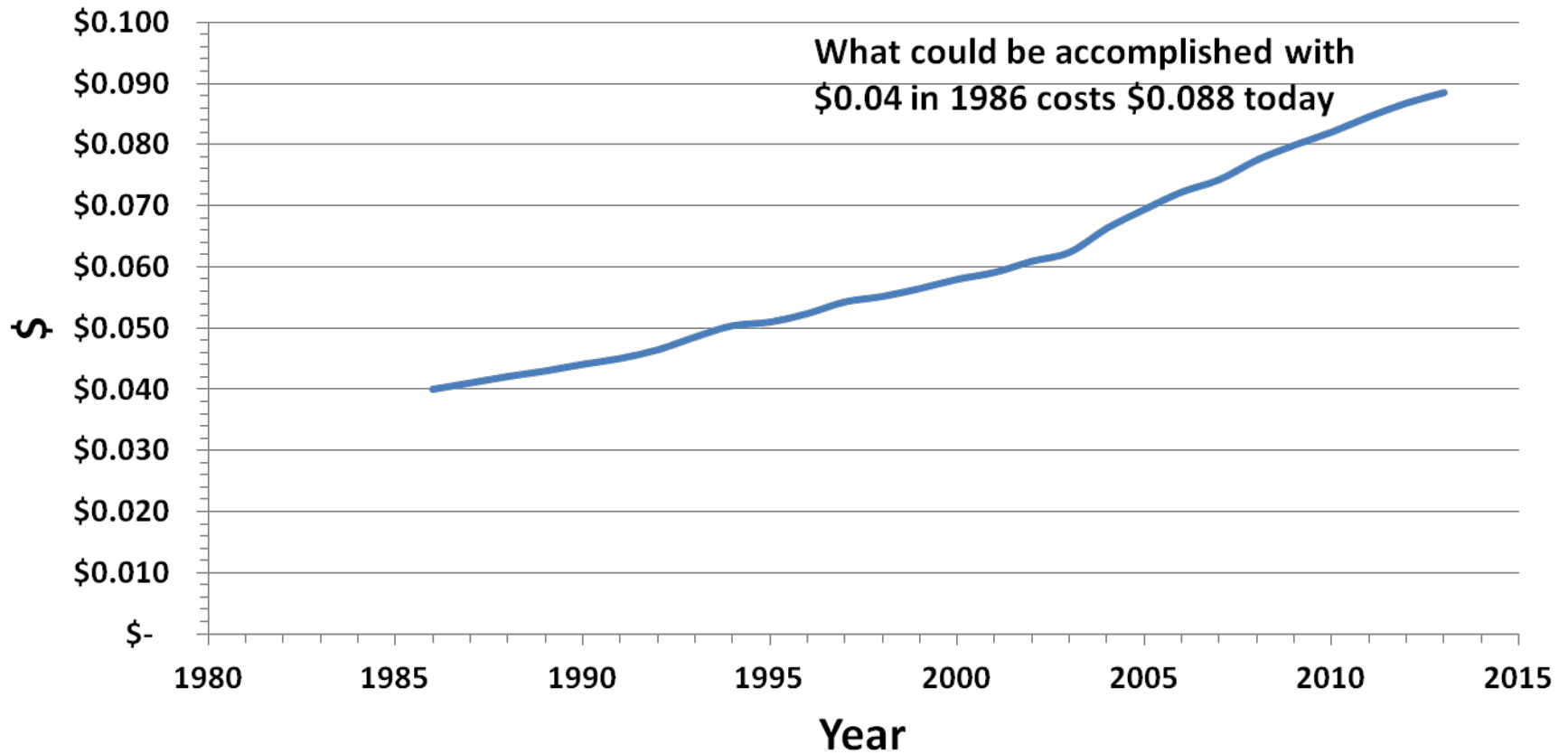
Budget Analysis



Funding Comparison

Agency	Miles Maintained				Approximate Annual Preventive Maintenance Funding (not including routine maintenance)	Total Per Mile
	Paved/ Chip Seal	Grindings	Gravel/Dirt	Total		
Douglas County	171	43	17	231	\$300,000 to \$350,000	\$1,515
Lyon County	285	10	248	543	\$1,400,000 to \$1,800,000	\$3,315
Town of Minden	14.5	0	0	14.5	\$300,000 to \$500,000	\$34,482
Town of Gardnerville	20	0	0	20	\$300,000 to \$500,000	\$25,000
Gardnerville Ranchos GID	43	0	0	43	\$500,000 to \$900,000	\$20,930
Kingsbury GID	22	0	0	22	\$600,000 to \$750,000	\$34,090
Round Hill GID	4.4	0	0	4.4	\$200,000 to \$250,000	\$56,818

Impact of Inflation on 1986 Gas Tax Based on ENR Construction Cost Index



County Budget

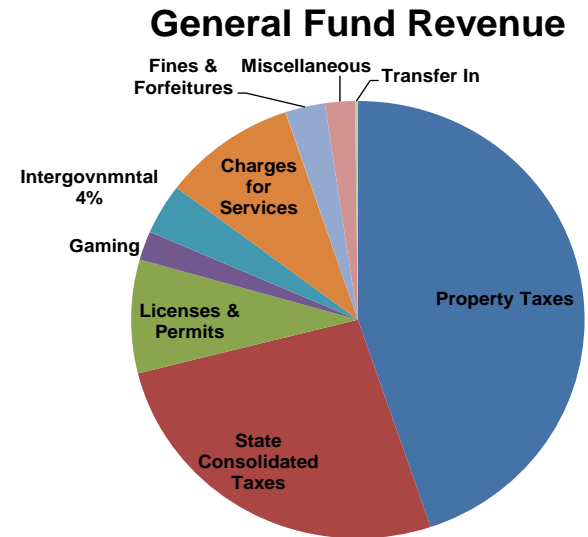
Total FY 2013-14 Proposed Budget (All 62 Funds)

Summary of All County Funds	2013-14 Budget
General Fund	\$45,434,330
Special Revenue Funds	35,102,640
Proprietary Funds	27,138,436
Capital Construction Funds	9,757,048
Debt Service Fund	4,731,254
Total	\$122,163,708

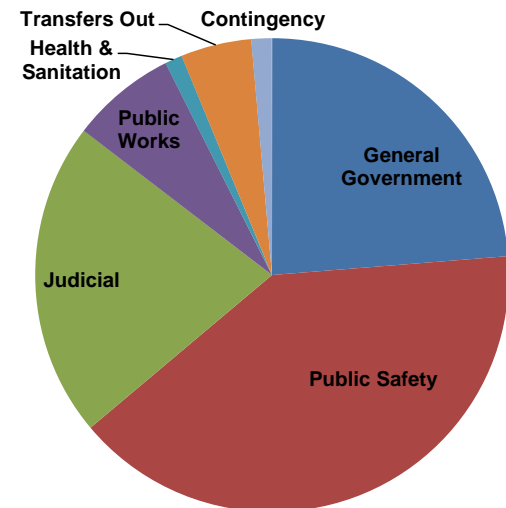
Total proposed budgeted resources, including ending fund balances and reserves

Types of Funds

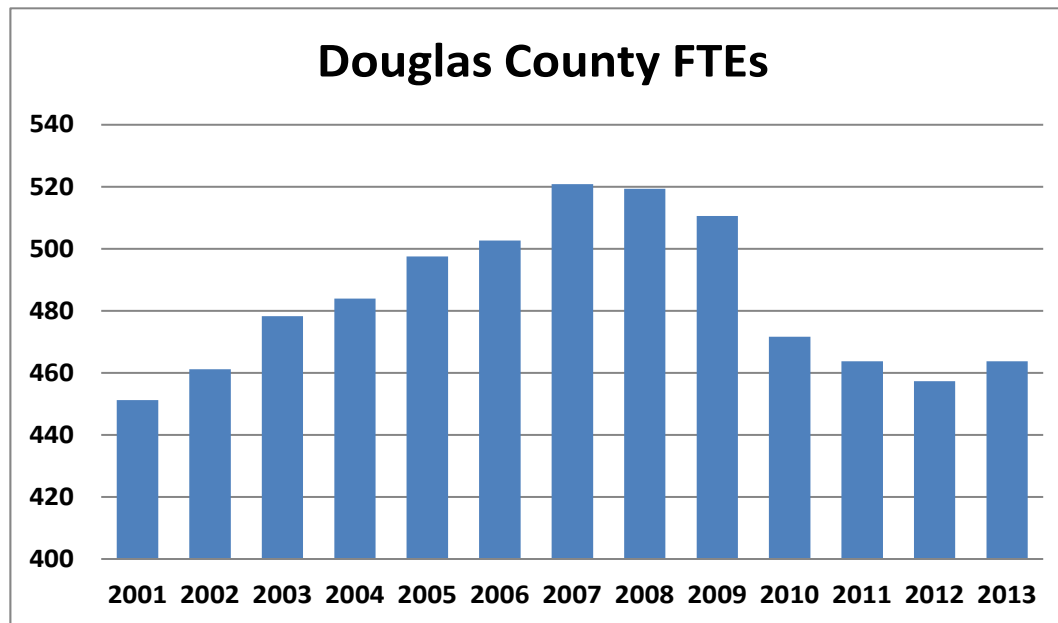
- **General Fund** – is the chief operating fund of the County and is used to account for all resources that do not have to be reported in another fund. There can be only one general fund.



General Fund Expenditures

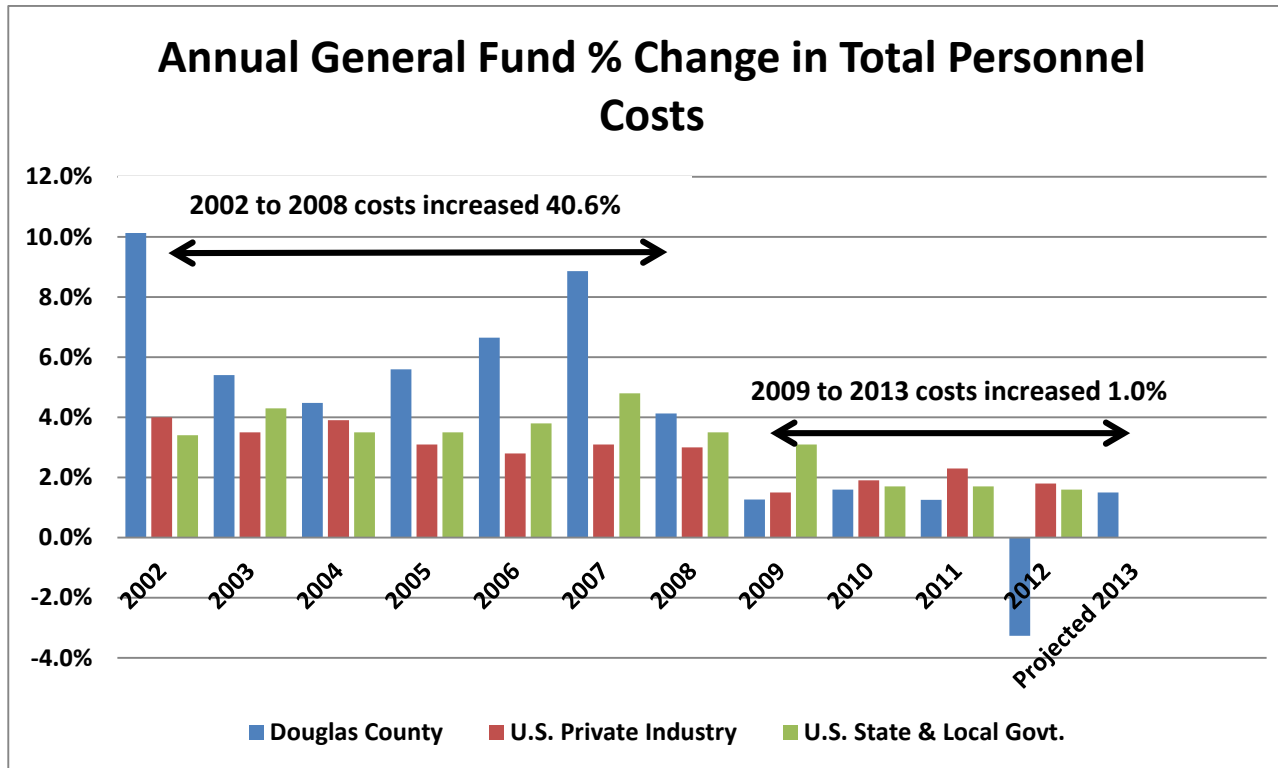


Personnel Costs (Salary & Benefits)



- Between 2007 and 2012 staffing reduced by 12%
- Net 63 positions eliminated
- New revenue (GIS regional partnerships), new grants (social services), and minor adjustments approved by Board increased FTEs slightly in FY 2012-13

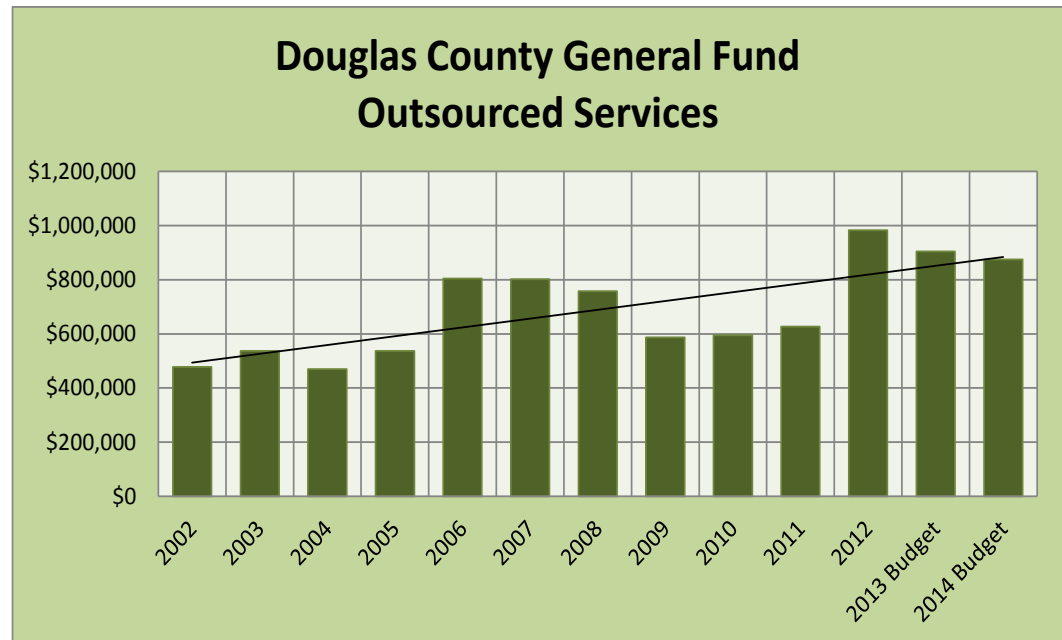
Personnel Costs (Salary & Benefits)



- Since 2010, employees have absorbed 100% of health insurance increases, average 10.20%/year
- In 2012, salaries reduced by 5% and no merit increases
- For 2013-2015, multi-year labor contracts are in place that slow growth in personnel costs, stabilizing largest expense in the General Fund for the next 3 fiscal years

Regional Partnerships, Contracted Services and Consolidations

- GIS services to Carson City, Storey and Lyon Counties (Douglas) - \$330,000 in revenue to General Fund
- City for Signal Light Maintenance (Carson)– Saves \$50,000 per year
- Minden-Tahoe Airport (Private Management Contract) – Saves \$50,000 per year
- Public & Environmental Health (Carson)
- Small Business Counseling (Carson)
- Regional Water System (Douglas)
- Economic Development (NNDA)
- Other outsourced services: Janitorial Services, Public Guardian, Recreation Programs, Printing

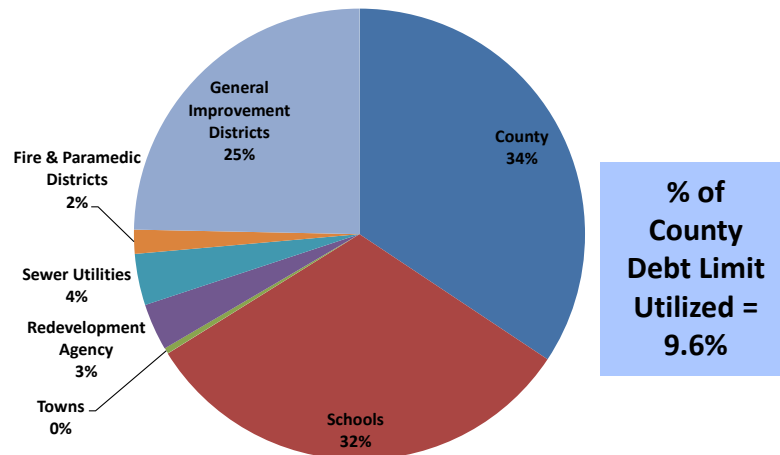


Douglas County Debt Structure

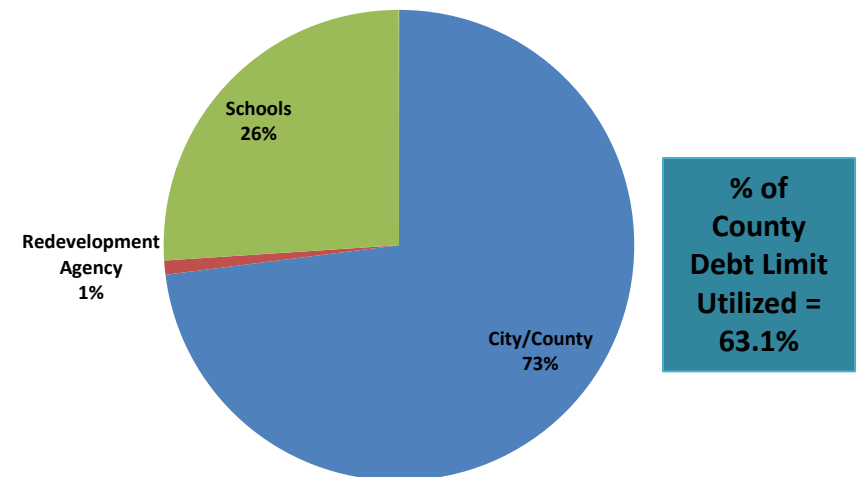
Douglas County General Obligation Debt		Per Capita
Population: 49,032		
County	\$26,488,026	\$540
Schools	25,645,000	523
GIDs	19,903,464	406
Other Entities	4,697,454	96
Total	\$76,733,944	\$1,565

Carson City/County General Obligation Debt		Per Capita
Population: 52,882		
County	\$142,477,454	\$2,694
Schools	57,775,000	1,093
Redevelopment Agency	2,145,500	41
Total	\$202,397,954	\$3,827

Douglas County

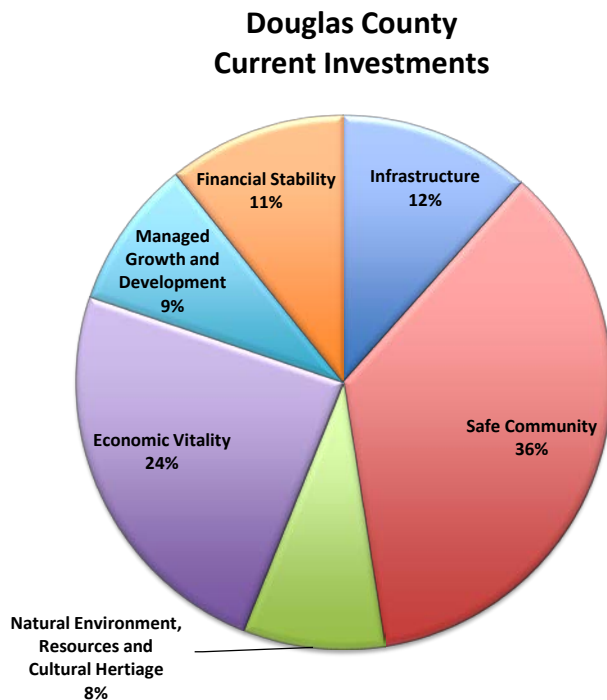


Carson City/County

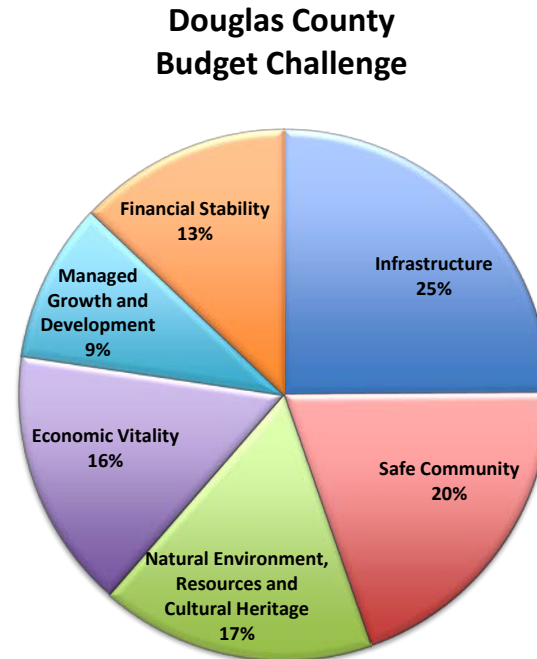


Current Investments vs. Community Budget Challenge

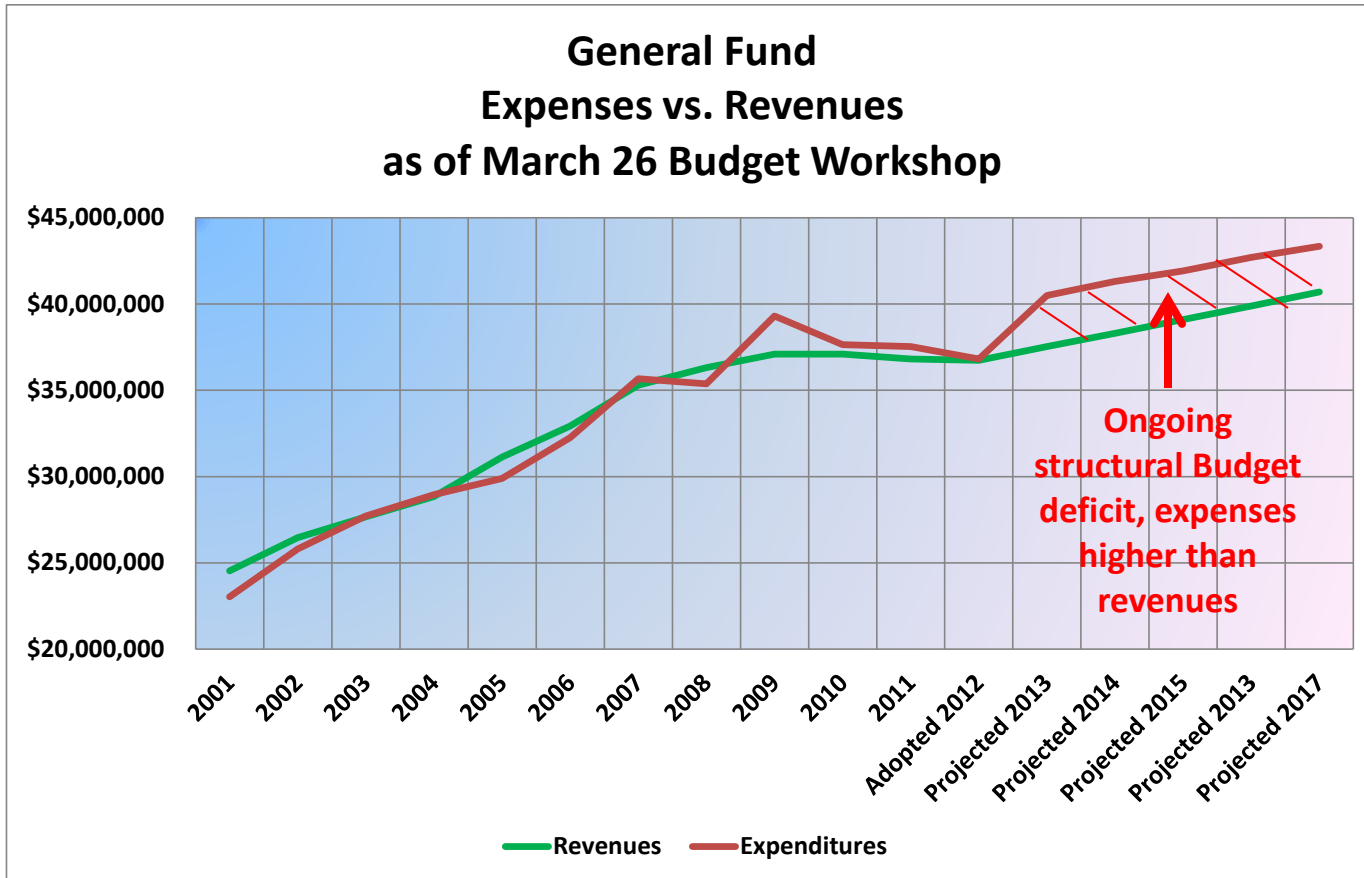
How we invest taxpayer funds today:



How the Budget Challenge respondents said we should be investing taxpayer funds:



General Fund Five-Year Projection As Of March 2012(Last Year)

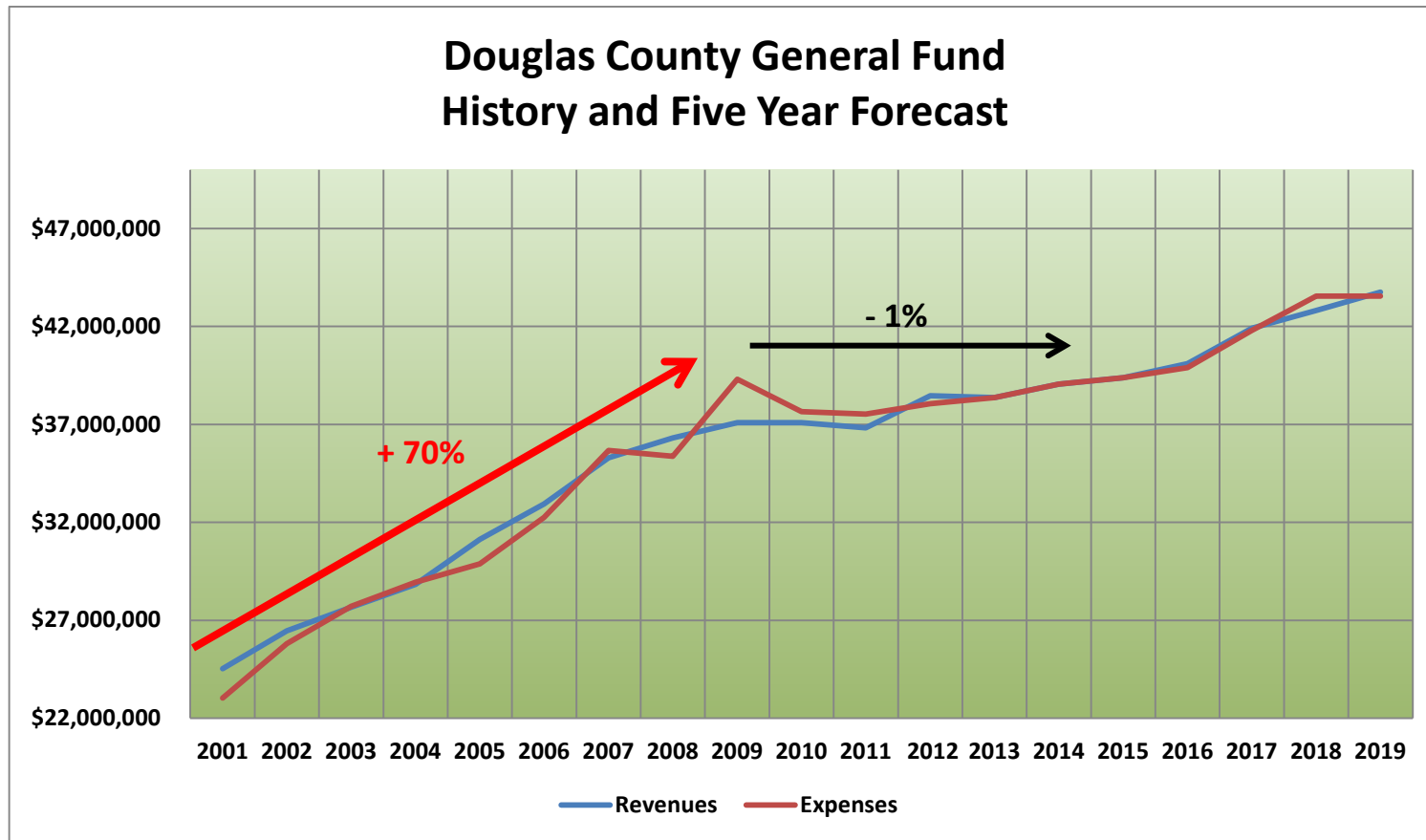


\$3 million annual ongoing structural imbalance in General Fund

Solutions to Financial Stability

- ✓ Reduced and stabilized personnel costs
- ✓ Stabilized revenues through shift of existing property taxes from other taxing units
- ✓ Implemented regional partnerships, consolidations and privatization
- ✓ Shifting property taxes to road maintenance
- ✓ Focusing on priorities to ensure highest value to taxpayers

Closing the Budget Gap



Shifting Existing Resources to Roads

Redirect Existing Resources to Preventative Road Maintenance

We reduced the medical indigent property tax rate from \$0.10 to \$0.0575


- Between 2008-2012
 - Average annual expenditures were \$1,250,000
 - Average annual property tax revenue was \$1,950,000
- Projected ending fund balance for FY12-13 will be \$3,000,000
- If rate is reduced, projected FY13-14 property tax collection will be \$1,300,000
- With reserves in place, the county would have time to react to increasing medical indigent costs, if they should occur
- By capturing the additional property tax rate combined with additional General Funds, the county would achieve the goal of redirecting \$1 million to preventative road maintenance.
- Implementing this solution would also allow the Board to consider funding additional department priorities with balance of funds

Funding Roads Through Priority Based Budgeting

Increased Funding for Preventative Road Maintenance FY 2013-14

Scheduled Transfer (Board directed in FY 2012-13)	\$280,000
Redirection of Property Tax Rate from Medical Indigent Rate (\$0.0425)	655,895
Redirection of Additional General Funds	117,743
Total	\$1,053,638

- Preventative Road Maintenance – Quarter 2 program
- Medical Assistance to Indigents – Quarter 3 program



*Through changes in cost allocation and refining personnel numbers, we are able to transfer **\$33,963** **more** than was presented in April toward meeting Board's directed goal to redirect at least \$1 Million towards preventative road maintenance*

Road Funds of Douglas County

FY13-14 Proposed Budget

	Regional Transportation		Road Operating		Tahoe Douglas Transportation District (TDTD)	
Major Funding Sources:						
Room Tax	-	-	1.00%	\$76,769	1.00%	\$464,615
Gas Tax	4.00%	\$715,141	6.35%*	\$1,058,532	-	-
Road Residential Construction		\$40,000				
General Fund Support		\$1,019,945		\$191,000		-
Total		\$1,775,086		\$1,326,301		\$464,615

*State mandated and collected tax, distributed to local governments based on State formula

Regional Transportation (Construction Fund) – Used for preventative/corrective maintenance

Road Operating (Special Revenue Fund) – Used for routine maintenance

Tahoe Douglas Transportation District (Special Revenue Fund) – Used for Lake Tahoe transportation and transit needs

New Revenue Options

Douglas County Tax Structure

Douglas County

- ❑ 3.1425 overlapping property tax rate (8th lowest)*
- ❑ 7.1% sales tax (6th lowest)*
- ❑ 2.5% utility operator fee*
- ❑ \$0.04 gas tax*
- ❑ No business license fee*

Carson City

- ▶ 3.5556 overlapping property tax rate
- ▶ 7.475% sales tax
- ▶ 5.0% utility operator fee
- ▶ \$0.09 gas tax
- ▶ Charges business license fee

**lower than Lyon, Carson and Washoe counties*

Potential Funding Options

- General Fund – shift existing revenues away from current services
 - Board discretion/budget process
- Utility Operator Fee
 - NRS 354.59881
 - 1% = \$800,000 per year
 - 2.5% available (1% every other year) = \$2,000,000 per year
- Gas Tax
 - NRS 373.030
 - 5¢ per gallon = \$900,000 per year
 - May be phased in over time
- Infrastructure Tax
 - NRS 377B.100
 - 0.25% sales Tax = \$1,500,000 per year
- Public Transit & Road Maintenance Tax
 - NRS 377A.030
 - 0.50% sales Tax = \$3,000,000 per year
 - Requires voter approval

Pros and Cons

- General Fund shift
- Utility Operator Fee
- Gas Tax
- Sales Tax

Gas Tax History

- **1970** - \$0.02 gas tax implemented
- **1986** - \$0.02 gas tax implemented
- **1992** - \$0.0451 property tax shifted from Roads to General Fund; \$0.05 gas tax approved, then denied by Board
- **1993** - \$0.05 gas tax implemented by Board
- **1994** - \$0.05 gas tax repealed by voters
- **2004** - \$0.05 gas tax denied by voters
- **2011** - \$0.05 gas tax tabled by Board
- **2013** - \$0.0425 property tax dedicated to Roads; total \$1,053,638 in property taxes dedicated to Roads

Future Action - Recommendation

- Do Nothing
- Re-allocate Existing Budget:
 - If so:
 - How Much?
 - Eliminate or reduce programs?
 - Time-line (phase-in)
- Implement New Funding Source:
 - If so:
 - How much?
 - Which Option(s)
 - Time-line (phase-in)

Conclusion

- Status Quo
 - Road quality (PCI) will continue to deteriorate at an accelerated rate, resulting in increased future costs, reduced level of service and increased customer complaints
- Funding
 - Combination of funding sources are needed to either maintain current PCI, or to meet PCI goal of 70

Next Steps

- Public workshops throughout November
- Road Funding Task Force to wrap up work by end of 2013
- County Manager will make recommendations to the Board of Commissioners in early 2014